



**STATE OF HAWAII
DEPARTMENT OF ACCOUNTING
AND GENERAL SERVICES**

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JAN 12 2009

COMPTROLLER'S MEMORANDUM NO. 2009-02

TO: Heads of Departments
ATTN: Fiscal Offices
SUBJECT: Federal Per Diem Rates (CONUS)

In Revenue Procedure 2008-59, the Internal Revenue Service has updated the federal per diem rates established by Revenue Procedure 2007-63 for travel within the continental United States (CONUS). These standard rates affect the computation of the taxable portion of per diem allowances paid to State of Hawaii officers and employees. The information in this memorandum therefore needs to be forwarded to the offices in your department responsible for the computation and reporting of the taxable portion of per diem allowances for payroll tax withholding purposes.

The following rates are to be used for computing, under the high-low substantiation method, the taxable portion of per diem for CONUS travel expenses paid or incurred on or after January 1, 2009.

	<u>High-Cost Locality</u>	<u>Low-Cost Locality</u>
Lodging	\$198	\$113
Meals	<u>58</u>	<u>45</u>
Total federal rates	<u>\$256</u>	<u>\$ 158</u>

Revenue Procedure 2008-59 has also made some changes in the locations identified in the high-cost category. Attached is an updated listing of the high-cost localities; all other CONUS localities are considered low-cost localities under the high-low substantiation method.


RUSS K. SAITO
State Comptroller

Attachment

not pay or incur meal expenses for a calendar day (or partial day) of travel away from home may use, for each calendar day (or partial day) the employee or self-employed individual is away from home, an amount computed at the rate of \$3 per day for any CONUS or OCONUS locality of travel. This amount will be deemed substantiated for purposes of paragraphs (b)(2) and (c) of § 1.274-5, provided the employee or self-employed individual substantiates the elements of time, place, and business purpose of the travel for that day (or partial day) in accordance with those regulations. See section 4.03 of this revenue procedure for a method that may be used by employees or self-employed individuals who pay or incur meal expenses. The method authorized by this section 4.05 may not be used by payors that use section 4.01, 4.02, or 5.01 of this revenue procedure, or by employees or self-employed individuals who use the method described in section 4.03 of this revenue procedure. See section 6.05(5) of this revenue procedure for rules related to the application of the

limitation under § 274(n) to amounts determined under this section 4.05.

SECTION 5. HIGH-LOW SUBSTANTIATION METHOD

.01 *In general.* If a payor pays a *per diem* allowance in lieu of reimbursing actual lodging, meal, and incidental expenses incurred or to be incurred by an employee for travel away from home and the payor uses the high-low substantiation method described in this section 5 for travel within CONUS, the amount of the expenses that is deemed substantiated for each calendar day is equal to the lesser of the *per diem* allowance for that day or the amount computed at the rate set forth in section 5.02 of this revenue procedure for the locality of travel for that day (or partial day, see section 6.04 of this revenue procedure). Except as provided in section 5.06 of this revenue procedure, this high-low substantiation method may be used in lieu of the *per diem* substantiation method provided in section 4.01 of this revenue procedure, but may not be used in lieu of the meal and

incidental expenses only *per diem* substantiation method provided in section 4.02 of this revenue procedure.

.02 *Specific high-low rates.* Except as provided in section 5.06 of this revenue procedure, the *per diem* rate set forth in this section 5.02 is \$256 for travel to any "high-cost locality" specified in section 5.03 of this revenue procedure, or \$158 for travel to any other locality within CONUS. The high or low rate, as appropriate, applies as if it were the federal *per diem* rate for the locality of travel. For purposes of applying the high-low substantiation method and the § 274(n) limitation on meal expenses (see section 6.05(3) of this revenue procedure), the amount of the high and low rates that is treated as paid for meals is \$58 for a high-cost locality and \$45 for any other locality within CONUS.

.03 *High-cost localities.* The following localities have a federal *per diem* rate of \$207 or more, and are high-cost localities for all of the calendar year or the portion of the calendar year specified in parentheses under the key city name:

Key City	County or other defined location
Arizona	
Phoenix/Scottsdale (January 1-April 30)	Maricopa
Sedona (March 1-April 30)	City Limits of Sedona
California	
Napa	Napa
San Diego (January 1-August 31)	San Diego
San Francisco	San Francisco
Santa Barbara	Santa Barbara
Santa Monica	City limits of Santa Monica
South Lake Tahoe (December 1-March 31)	El Dorado
Colorado	
Aspen (December 1-April 30)	Pitkin
Crested Butte/Gunnison (December 1-March 31)	Gunnison
Silverthorne/Breckenridge (December 1-April 30)	Summit
Steamboat Springs (December 1-March 31)	Routt
Telluride (October 1-March 31)	San Miguel

<i>Key City</i>	<i>County or other defined location</i>
Colorado (continued)	
Vail (December 1-July 31)	Eagle
District of Columbia	
Washington D.C. (also the cities of Alexandria, Falls Church, and Fairfax, and the counties of Arlington and Fairfax, in Virginia; and the counties of Montgomery and Prince George's in Maryland) (See also Maryland and Virginia)	
Florida	
Fort Lauderdale (October 1-April 30)	Broward
Fort Walton Beach/De Funiak Springs (June 1-July 31)	Okaloosa and Walton
Key West	Monroe
Miami (October 1-February 28)	Miami-Dade
Naples (February 1-March 31)	Collier
Palm Beach (December 1-April 30)	Boca Raton, Delray Beach, Jupiter, Palm Beach Gardens, Palm Beach, Palm Beach Shores, Singer Island and West Palm Beach
Illinois	
Chicago	Cook and Lake
Maryland	
Baltimore City	Baltimore City
Cambridge/St. Michaels (May 1-August 31)	Dorchester and Talbot
Ocean City (June 1-September 30)	Worcester
Washington, DC Metro Area	Montgomery and Prince George=s
Massachusetts	
Boston/Cambridge	Suffolk, City of Cambridge
Martha's Vineyard (June 1-August 31)	Dukes
Nantucket (June 1-September 30)	Nantucket
New York	
Floral Park/Garden City/Glen Cove/Great Neck/Roslyn	Nassau
Manhattan (includes the boroughs of Manhattan, Brooklyn, the Bronx, Queens and Staten Island)	Bronx, Kings, New York, Queens, Richmond
Saratoga Springs/Schenectady (July 1-August 31)	Saratoga and Schenectady
Tarrytown/White Plains/New Rochelle/Yonkers	Westchester
Pennsylvania	
Philadelphia	Philadelphia
Rhode Island	
Jamestown/Middletown/Newport (June 1-September 30)	Newport

Key City	County or other defined location
Utah Park City (January 1-March 31)	Summit
Virginia Washington, DC Metro Area	Cities of Alexandria, Fairfax, and Falls Church; counties of Arlington and Fairfax
Washington Seattle	King
Wyoming Jackson/Pinedale (July 1-August 31)	Teton and Sublette

.04 *Changes in high-cost localities.* The list of high-cost localities in section 5.03 of this revenue procedure differs from the list of high-cost localities in section 5.03 of Rev. Proc. 2007-63 (changes listed by key cities).

(1) The following localities have been added to the list of high-cost localities: Jackson/Pinedale, Wyoming.

(2) The portion of the year for which the following are high-cost localities has been changed: Phoenix/Scottsdale, Arizona; San Diego, California; Silverthorne/Breckenridge, Colorado; Steamboat Springs, Colorado; Vail, Colorado; Palm Beach, Florida; Cambridge/St. Michaels, Maryland; Ocean City, Maryland; Martha's Vineyard, Massachusetts; Nantucket, Massachusetts; Jamestown/Middletown/Newport, Rhode Island.

(3) The following localities have been removed from the list of high-cost localities: Palm Springs, California; Yosemite National Park, California; Stuart, Florida; Incline Village/Crystal Bay/Reno/Sparks, Nevada; Conway, New Hampshire; Providence, Rhode Island; Loudon County, Virginia; Virginia Beach, Virginia; Lake Geneva, Wisconsin.

.05 *Specific limitation.*

(1) Except as provided in section 5.05(2) of this revenue procedure, a payor that uses the high-low substantiation method with respect to an employee must use that method for all amounts paid to that employee for travel away from home within CONUS during the calendar year. See section 5.06 of this revenue procedure for transition rules.

(2) With respect to an employee described in section 5.05(1) of this revenue

procedure, the payor may reimburse actual expenses or use the meal and incidental expenses only *per diem* substantiation method described in section 4.02 of this revenue procedure for any travel away from home, and may use the *per diem* substantiation method described in section 4.01 of this revenue procedure for any OCONUS travel away from home.

.06 *Transition rules.* A payor who used the substantiation method of section 4.01 of Rev. Proc. 2007-63 for an employee during the first 9 months of calendar year 2008 may not use the high-low substantiation method in section 5 of this revenue procedure for that employee until January 1, 2009. A payor who used the high-low substantiation method of section 5 of Rev. Proc. 2007-63 for an employee during the first 9 months of calendar year 2008 must continue to use the high-low substantiation method for the remainder of calendar year 2008 for that employee. A payor described in the previous sentence may use the rates and high-cost localities published in section 5 of Rev. Proc. 2007-63, in lieu of the updated rates and high-cost localities provided in section 5 of this revenue procedure, for travel on or after October 1, 2008, and before January 1, 2009, if those rates and localities are used consistently during this period for all employees reimbursed under this method.

SECTION 6. LIMITATIONS AND SPECIAL RULES

.01 *In general.* The federal *per diem* rate and the federal M&IE rate described in section 3.02 of this revenue procedure for the locality of travel will be applied in the same manner as applied under the Federal

Travel Regulations, 41 C.F.R. Part 301-11 (2007), except as provided in sections 6.02 through 6.04 of this revenue procedure.

.02 *Federal per diem rate.* A receipt for lodging expenses is not required in determining the amount of expenses deemed substantiated under section 4.01 or 5.01 of this revenue procedure. See section 7.01 of this revenue procedure for the requirement that the employee substantiate the time, place, and business purpose of the expense.

.03 *Federal per diem or M&IE rate.* A payor is not required to reduce the federal *per diem* rate or the federal M&IE rate for the locality of travel for meals provided in kind, provided the payor has a reasonable belief that meal and incidental expenses were or will be incurred by the employee during each day of travel.

.04 *Proration of the federal per diem or M&IE rate.* Pursuant to the Federal Travel Regulations, in determining the federal *per diem* rate or the federal M&IE rate for the locality of travel, the full applicable federal M&IE rate is available for a full day of travel from 12:01 a.m. to 12:00 midnight. The method described in section 6.04(1) of this revenue procedure must be used for purposes of determining the amount deemed substantiated under section 4.03 or 4.05 of this revenue procedure for partial days of travel away from home. For purposes of determining the amount deemed substantiated under section 4.01, 4.02, 4.04, or 5 of this revenue procedure for partial days of travel away from home, either of the following methods may be used to prorate the federal M&IE rate to determine the federal *per diem* rate or the federal M&IE rate for the partial days of travel: